

**BI-STATE DEVELOPMENT  
AUDIT, FINANCE, & ADMINISTRATION COMMITTEE MEETING  
OPEN SESSION MINUTES  
January 25, 2019**

**Committee Members in Attendance**

Aliah Holman  
Constance Gully (via phone)  
Justin Zimmerman (via phone)

**Other Commissioners in Attendance**

Rose Windmiller (entered the meeting at 8:07 AM)  
Vernal Brown

**Staff in Attendance**

Taulby Roach, President and Chief Executive Officer  
Barbara Enneking, General Counsel and Deputy Secretary  
Myra Bennett, Manager of Board Administration  
Jim Cali, Director Internal Audit  
Jessica Mefford-Miller, Executive Director Metro Transit  
Larry Jackson, Executive Vice President Administration  
John Langa, Vice President Economic Development  
Patti Beck, Director Communications  
Diana Bentz, Vice President Organizational Effectiveness  
Kathy Brittin, Director Risk Management Safety & Claims  
Mark Vago, Sr. VP Chief Financial Officer  
Matthew Hibbard, Social Media Communications Manager  
Charles Stewart, Vice President, Pension & Insurance  
Kent Swagler, Director Corporate Compliance & Ethics  
Tamara Fulbright, Sr. Director Financial Planning & Treasury  
Angela Staicoff, Sr. Internal Auditor  
Kelli Fitzpatrick, Sr. Internal Auditor/PT  
Brenda Krieger, Executive Assistant  
Karl Tyminski, Sr. Internal Auditor/PT  
Cynthia Davis, Director Program Development & Grants  
Kerry Kinkade, VP Chief Information Officer  
Sally Bender, Internal Auditor  
Vicki Potter, Controller  
Larry Rusbarsky, Director of Financial Planning and Budget  
Greg Smith, Vice President of Procurement and Inventory Management  
Gary Smith, Internal Auditor  
Ted Zimmerman, Vice President of Marketing and Communications

1. **Open Session Call to Order**

**8:00 a.m.** A meeting of the Audit, Finance, & Administration Committee was held on January 25, 2019, at Bi-State Development Headquarters Board Room, One Metropolitan Square, 211 N. Broadway, Suite 650, St. Louis, Missouri 63102. Chairman Holman called the Open Session of the Audit, Finance, & Administration Committee Meeting to order at 8:00 a.m.

2. **Roll Call**

**8:00 a.m.** Roll call was taken, as noted above.

3. **Public Comment**

**8:01 a.m.** There was no public comment.

4. **Minutes of October 19, 2018, Audit, Finance & Administration Committee Open Session Meeting**

**8:01 a.m.** The October 19, 2018, Audit, Finance & Administration Committee Open Session meeting minutes were provided in the Committee packet. A motion to approve the minutes was made by Commissioner Brown and seconded by Commissioner Zimmerman. Unanimous vote in favor. **Motion passed.**

5. **Revised Internal Audit Work Plans**

**8:02 a.m.** A briefing paper was provided in the Committee packet, regarding the revised internal audit work plans. Jim Cali, Director of Internal Audit, (IAD) provided a brief overview, noting that, with the implementation of the Federal Transit Administration (FTA) new regulations for SSO Programs, changes to the Bi-State Development (BSD) Internal Audit Process are needed. In order for the SSO to be in compliance with the provisions of “The Moving Ahead for Progress in the 21st Century Act of 2012” (MAP-21), coupled with the FTA’s requirement for all SSO Agencies to develop and issue new SSO Rules, as set forth in 49 Code of Federal Regulations (CFR) Part 674, issued in 2016, the SSO issued in April 2018, the Bi-State Safety Oversight Program Standards Manual For Oversight Of MetroLink; herein, referred to as the New Program Standard. The New Program Standard requires that all SSO audits must be conducted by individuals or firms that are independent from the function being audited and be free of any conflict of interest and/or the appearance of a conflict of interest. The New Program Standard’s audit requirement now precludes the Safety Department from performing any SSO audits; therefore, the responsibility for performing all the required SSO audits now rests with the IAD.

With the addition of a new Internal Auditor, IAD will have the capacity to meet the FTA’s new safety audit requirements in the new “Public Transportation Agency Safety Plan” and “Safety Management System” (SMS), which means BSD will now also have to perform SSO style safety and security audits for both MetroBus and Call-A-Ride. In order to meet the New Program Standard’s audit requirement, coupled with the internal safety and security audit provisions contained in 49 CFR Part 674, IAD is establishing a new calendar year based SSO Audit Work Plan and is revising the current IAD Fiscal Year (FY) 2019 Audit Work Plan for the balance of the fiscal year.

A motion to accept the revised internal audit work plans was made by Commissioner Gully and seconded by Commissioner Brown. Unanimous vote in favor. **Motion passed.**

**6. Treasury-Safekeeping Quarterly Accounts Audit – Ending September 30, 2018**

**8:04 a.m.** A briefing paper was provided in the Committee packet, to inform the Committee of the results of the Treasury – Safekeeping Quarterly Accounts Audit, ending September 30, 2018. Jim Cali, Director of Internal Audit, provided a brief overview. He noted that, in applying the new GASB Statement No. 72 Fair Value Measurement and Application, IAD performed an examination of each bank/safekeeping custodian's account confirmations, as compared with the fair values for each investment presented in the Treasurer's Report dated September 30, 2018. Mr. Cali reported that IAD has determined that the Safekeeping Accounts exist, and the respective balances have been fairly presented. Chairman Holman noted that this information was presented for information only, and no action of the Committee is required.

**7. Internal Audit Status Report – 2<sup>nd</sup> Quarter FY2019**

**8:05 a.m.** A briefing paper was included in the Committee packet, to provide to the Committee the Internal Audit Department's Status Report for the 2<sup>nd</sup> quarter of fiscal year 2019. Jim Cali, Director of Internal Audit, provided a brief overview of this item, noting the following highlights of the report:

- IAD issued a solicitation for the audit of the medical claims related to the Bi-State Development Health Self-Insurance program to all of the Internal Audit firms that participate in the On-Call Internal Audit Services Contract. The firm of Brown Smith Wallace was selected for this engagement.
- IAD welcomes two (2) new Internal Auditors, to meet the increased work load created by the need for IAD to assume the responsibility for all State Safety Oversight (SSO) audits, Sally Bender, Internal Auditor (Part-Time), and Gary Smith, Internal Auditor. Both Sally and Gary participated in the IAD College Internship Program, and we are extremely happy to have them now as permanent members of the IAD staff.
- At the request of the Director of Workforce Diversity and EEO Administration, the Director of Internal Audit completed two (2) investigations.

It was noted by Chairman Holman that this information was presented for information only, and no action is required by the Committee at this time.

**8. Internal Audit Follow-Up Summary -2<sup>nd</sup> Quarter FY2019**

**8:07 a.m.** A briefing paper was included in the Committee packet, to provide to the Committee the follow-up summary findings, pertaining to the status of prior recommendations during the 2<sup>nd</sup> quarter of fiscal year 2019. Jim Cali, Director of Internal Audit, provided a brief overview noting that the Standards for the Professional Practice of Internal Auditing, Standard 2500 – Monitoring Process, states that, "The Chief Audit Executive should establish and maintain a system to monitor the disposition of audit results communicated to management." To ensure compliance with this standard, Internal Audit regularly monitors the status of recommendations. Mr. Cali noted that there are currently 24 outstanding recommendations; however, none of them are "overdue" for implementation.

Chairman Holman noted that this information was presented for information only, and no action of the Committee is required.

**9. Quarterly Financial Statements – First Quarter Ending September 30, 2018**

**8:09 a.m.** Mark Vago, Senior Vice-President and Chief Financial Officer, provided an overview of the 2019 quarterly financial statements for the first quarter, period ending September 30, 2018, including performance indicators, for all Bi-State business divisions including: Executive Services, Gateway Arch Tram, Riverfront Attractions, St. Louis Downtown Airport, Metro, St. Louis Regional Freightway, Bi-State Development Research Institute, and Arts in Transit. In summary, funding for many projects is a significant concern, and President/CEO Roach and staff are actively pursuing additional funding streams to support Bi-State initiatives. Charles Stewart, Vice President Pension & Insurance, provided an overview of Health Self-Insurance Funds, noting increases in health insurance over the past year, with claims being the most significant expense. It was also noted that Casualty/Workers Comp appear to be “on track”, with the major cost also attributed to claims.

**10. Performance Indicators – First Quarter Ending September 30, 2018**

Mark Vago, Senior Vice-President and Chief Financial Officer, noted that an overview of the 2019 performance indicators for the first quarter, ending September 30, 2018, was presented along with the previous agenda item.

**11. FY 2020 Budget Update**

**8:33 a.m.** A briefing paper was included in the Committee packet, to provide the members an update on the fiscal year 2020 budget process. Mark Vago, Senior Vice-President and Chief Financial Officer, noted that due to recent employee separations and medical leave, the Budget and Financial Planning Department was left with 8 vacant positions. He stated that this has created a very difficult and challenging budget process, and under these circumstances, he would recommend moving the Budget Presentation, scheduled for March 22, 2019, to the Audit, Finance & Administration Committee scheduled for May 17, 2019. Mr. Vago noted that the additional time will allow the new budget team to acclimate to their new responsibilities, address any budget variances with senior staff, make any necessary business recommendations, and fully prepare a meaningful budget document and presentation for the Board. Commissioner Holman asked if the delay would have any repercussions. Mr. Vago stated that his only concern would be as it pertains to the Arch National Park Service; however, Bi-State is asking for a waiver letter regarding this matter.

**12. Treasurer’s Report – First Quarter Ended September 28, 2018**

**8:35 a.m.** Tammy Fulbright, Senior Director of Financial Planning and Treasury, provided an overview of the Treasurer’s Report for the First Quarter, ended September 28, 2018, as provided in the Committee packet, including rates of return, trustee directed funds, debt service payments, and bond payments. Commissioner Windmiller posed questions regarding the term of the bonds. President/CEO Roach stated that he looking at the possibility of recasting the long-term bonds. Authorization from the City has been received; however, it would require full County Council approval, as well.

**13. Quarterly Procurement Report – First Quarter Fiscal Year 2019**

**8:41 a.m.** A memorandum was provided in the Committee packet, to provide a summary of the quarterly procurement activity for the first quarter of fiscal year 2019. Gregory Smith, Vice President – Purchasing, Materials Management, and Supplier Diversity, provided an overview of this report, highlighting the graphs contained in the Procurement Activity Report, and Non-

Competitive Procurement Trend. Chairman Holman noted that this information was presented for information only, and no action of the Committee is required.

**14. 2018 Pension Valuations Update**

**8:42 a.m.** A briefing paper was included in the Committee packet, to provide the 2018 pension valuations for the company sponsored defined benefit pension plans. Charles Stewart, Executive Vice-President, Organizational Effectiveness, gave a brief overview of this issue. Mr. Stewart noted the following:

- As of June 1, 2018, the funded ratio for the Salaried Pension Plan was 82.2%, and the unfunded liability was \$15,943,478.
- As of April 1, 2018, the funded ratio for the IBEW Pension Plan was 99.0%, and the unfunded liability was \$51,232.
- As of April 1, 2018, the funded ratio for the Local 788, Amalgamated Transit Union, AFL-CIO Pension Plan was 65.6%, and the unfunded liability was \$71,793,758.

In addition, Mr. Stewart gave an overview of the information presented in the Comparative Summary of Valuation Results for each of the plans, noting the difference in the funding ratios from 2017 to 2018. Brief discussion was held by members of the Board of Commissioners regarding the unfunded liability, and the improvements made to the status of the pension plans in the last six years. Commissioner Gully commended Mr. Stewart for his work regarding this issue.

**15. 401(k) Plan Audit Update**

**8:50 a.m.** A briefing paper was provided to supply an update of the Bi-State Development Agency 401(k) Retirement Savings Program to the Committee. Charles Stewart, Executive Vice President Organizational Effectiveness, gave a brief overview of this issue, noting that Mayer Hoffman McManis P.C. (MHM) audited the financial statements of the Bi-State Development Agency 401(k) Retirement Savings Program as of December 31, 2017 and 2016 and issued an unqualified (clean) audit opinion. Mr. Stewart noted that approximately 1000 employees currently participate in the 401(k) plan, and he encourages all eligible employees to participate.

**16. Compliance and Ethics “State of the Agency”**

**8:52 a.m.** A briefing paper was included in the Committee packet regarding this item. Kent Swagler, Director of Corporate Compliance and Ethics, provided a “State of the Agency” presentation to the Committee, in order to supply an update regarding Bi-State Development’s Corporate Compliance and Ethics requirements and programs.

Mr. Swagler reviewed the Consolidated Compliance Requirements with the Committee, noting that all requirements are in compliance, including HIPPA.

**Commissioner Gully, who was participating in the meeting via phone, left the meeting at approximately 8:55 a.m.**

Mr. Swagler noted that the goal of Corporate Compliance and Ethics is to avert legal action, and utilizing industry estimates, nearly \$4 million in claims has been averted. Over 1330 employees have received training over the past year, and required webinar training has been implemented. He noted that over 80 employees assist with records retention, and part-time temporary help has assisted in converting paper documents to electronic files. He also provided an update on the E-Learning Management System that was implemented in 2015, and provided a Payment Card Industry Compliance update. Mr. Swagler summarized that with regard to Corporate Compliance Requirements, Adherence to Policies and Procedures, Employee Training Completion, and Records Retention and Information Security, Bi-State Development is compliant in all areas. He noted that required ethics training for all Board Commissioners will take place next month.

**17. President/CEO Report**

**9:02 a.m.** Bi-State Development President/CEO Taulby Roach addressed the committee with the following information:

- Mr. Roach noted that he will be implementing monthly staff meetings, to be held with Executive Staff. The first of these meetings will be held on February 11<sup>th</sup>.
- Mr. Roach expressed major concerns regarding the 2020 budget, concerning revenues versus expenses. He stated that staff will be working to develop a three-year plan (2020-2022) to address these issues. He noted that he has discussed these issues with staff, and has received some innovative suggestions. He challenges staff to continue to look for additional innovative solutions to address these issues.
- Mr. Roach noted that he has been working with Myra Bennett, Manager of Board Administrations, regarding ways in which to more effectively communicate and disseminate information to the Board of Commissioners. He noted that there is currently an issue with delay of e-mail communications to the Commissioners, and Ms. Bennett will be working with the IT department to implement Bi-State e-mail addresses for all Commissioners. An update will be given at the Board of Commissioners meeting on February 22, 2019.
- Mr. Roach noted that the country is in day 34 of the Federal government shut down, and he was approached by Ms. Mefford-Miller, Executive Director of Metro Transit, this morning, who presented an idea that Metro consider waiving its fees for government employees who are being affected by the government shutdown. Ms. Mefford-Miller addressed the Committee regarding this issue, and the Committee was supportive of this initiative. She noted that Metro should be able to disseminate information to the public regarding this initiative, through media releases within one day.

**18. Unscheduled Business**

**9:13 a.m.** There was no unscheduled business.

**19. Call of Dates for Future Board and Committee Meetings**

**9:13 a.m.** Myra Bennett, Manager of Board Administration, advised the Committee of the upcoming meetings, as follows:

Board of Commissioners Meeting:	Friday, February 22, 2019; 8:00 a.m.
Audit, Finance & Administration Committee Meeting:	Friday, March 22, 2019; 8:00 a.m.
Operations Committee Meeting:	Tuesday, March 26, 2019; 8:00 a.m.

20. **Adjournment to Executive Session – If such action is approved by a majority vote of the Bi-State Development Agency’s Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters pursuant to Bi-State Development Board Policy Chapter 10, §10.080(D) Closed Records; Legal under §10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under §10.080(D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under §10.080(D)(5); Data Processing under §10.080(D)(6); Purchasing and Contracts under §10.080(D)(7); Proprietary Interest under §10.080(D)(8); Hotlines under §10.080(D)(9); Auditors under §10.080(D)(10); Security under §10.080(D)(11); Computers under §10.080(D)(12); Personal Access Codes under §10.080(D)(13); Personal Information under §10.080(D)(14); Insurance Information under §10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under §10.080(D)(16) or Protected By Law under §10.080(D)(17).**

**9:13 a.m.** Pursuant to the requirements of Section 10.080 (D) (1-17) of the Bi-State Development Agency’s Board Policy, Chapter 10, Committee Chair Holman requested a motion to allow the Committee to move into closed session.

A motion to move into Executive Session was made by Commissioner Windmiller and seconded by Commissioner Brown. A roll call vote was taken as follows:

Aliah Holman – Yea

Rose Windmiller – Yea

Constance Gully (via phone) – Yea

Vernal Brown – Yea

Justin Zimmerman (via phone) – Yea

**Motion passed unanimously, and the Open Session meeting was adjourned at 9:14 a.m.**

  
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Deputy Secretary to the Board of Commissioners  
Bi-State Development